

MAR 7

1967

Approved For Release 2000/05/24 : CIA-RDP75-00001R000300210052-5

CHINESE ECONOMY IS FOUND LAGGING

**U.S. Experts Say Output Is
Below 1960 Levels**

By HARRY SCHWARTZ

A report by United States Government and academic experts has found that Communist China's economy has lost much ground in the nineteen-sixties, and that the prospects for substantial improvement in the years immediately ahead are poor.

These conclusions emerge from a symposium on the Chinese economy made public by the Joint Economic Committee of Congress. Titled "An Economic Profile of Mainland China," the symposium's reports give the most comprehensive survey of the Chinese economic situation ever published in English.

Several of the articles raise the possibility that China may suffer economic retrogression in the period immediately ahead because of disruption caused by the Cultural Revolution.

The darkest prospects appear to exist in agriculture where, according to Marion R. Yarsen of the Department of Agriculture, the food situation was tight even before recent disorders. "A serious decline in the agricultural sector" could result if recent political unrest persists into the period of farm work, according to the report.

Paper by C.I.A. Men.

A review of China's industry concludes that the country will be fortunate if it is able to regain the 1960 peak of industrial production by 1970. The author, Dr. Robert M. Field of the Central Intelligence Agency, concludes that at best by 1970 the Peking regime's "misguided economic policies . . . will have cost China a full decade's industrial growth."

Dr. Field expects slow Chinese industrial growth in the coming years because of the continuing drain of China's atomic and other weapons programs on resources needed for heavy industry and because consumer goods production depends upon output in agriculture where substantial production increases are unlikely.

The common thread running through the articles is agreement that China is still paying heavily for the mistakes made when it overextended itself during the period of the Great Leap Forward during 1958-60. The consequence was a sharp decline in industrial and agricultural output during the early nineteen sixties, followed by a slow recovery that has not yet brought China back to the peak levels reached almost a decade

ago. Lands Show Growth

While China's recovery has been slow, other countries have been increasing their output rapidly. Data presented by Dr. Field, for example, indicate that India's industrial output rose about 40 per cent between 1960 and 1965, while China's industrial production was almost 20 per cent below the 1960 level in 1965.

The most impressive economic achievement described in

symposium is the success achieved in modernizing military equipment. J. G. Godaire of the Central Intelligence Agency suggests that the stock of modern arms, based on domestic resources, may now be equal to the maximum domestic production of 1957-59 plus the value of the Soviet military aid given at that time.

Mr. Godaire comments that "domestic production of military equipment seems to have had priority over the production of civilian investment goods at considerable cost to the overall Chinese economic growth rate."

A picture of Chinese economic growth is presented by data on gross national product the total production of goods and services, by Prof. Ta-Chung Liu of Cornell University.

Data on China's G.N.P.

Expressed in the Chinese monetary unit, the yuan, and in constant prices, the data indicate that the gross national product rose from 71.4 billion yuan in 1952 to a peak of 108 billion yuan in 1958. Then the gross national product fell to a low of 92.2 billion yuan in 1961 and finally reached the 1958 level once again in 1965. Yuan values cannot be easily expressed in dollar terms.

An alternative gross-national-product calculation in dollar terms is presented by Edwin F. Jones of the State Department. He estimates that the Chinese gross national product grew from about 65-billion in 1957 to \$73.3-billion in 1965, or just enough to keep per capita production, for a rising population, constant at \$101 annually.

In 1965, Mr. Jones estimates, output consisted of \$33.7-billion from agriculture, an 8 per cent gain over 1957; \$21.5-billion from industry, construction and transport, a 24 per cent increase over 1957; and \$18.1-billion from trade and services, a 10 per cent gain over 1957.

The Joint Economic Committee, an informed source said yesterday, intends to hold five days of hearings next month on the Chinese economy, hearing testimony on the papers just published as well as expert evaluations of national policy.

CPYRGHT

CPYRGHT

FOIAb3b